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Uruguay

Livestock and Products

Annual Report

2004

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Report Highlights:

Uruguay's beef exports in 2005 are expected to increase from 360,000 to 400,000 metric tons (MT) due to stronger demand from export markets. Foot-and-Mouth Disease (FMD) is under control throughout the country, with over 80 markets reopened to fresh boneless beef, including the United States (U.S.) and Canada. Cattle exports are forecast to increase in 2005 as markets continue to reopen. Cattle stocks are expected to return to the historical levels seen prior to the FMD crisis, as calf crop will be nearly equal to slaughter plus losses.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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SECTION I. SITUATION AND OUTLOOK

Trade

Uruguay's beef exports for 2005 are expected to increase to 400,000 metric tons (MT) due to stronger demand from export markets. Larger production and a relatively low, although stable, domestic consumption will increase export supplies, which are being absorbed primarily by the United States, Canada, and Israel. After devaluation of the Uruguayan Peso in June 2002 (approximately 80 percent), Uruguayan exporters have become more competitive in international markets. Agricultural activity, led by the beef sector, is highly profitable, despite the economic difficulties affecting the region.

To date, over 80 markets have reopened to Uruguayan fresh boneless beef, beginning with the European Union (EU) and Israel in November 2001, followed by Canada in January 2003, and the U.S. in June 2003. Mexico is expected to reopen in late 2004, and the Asian high-value beef markets, Japan and Korea, are not expected to resume exports while the country continues vaccinating against Foot-and-Mouth Disease (FMD). However, they could become more flexible depending on stronger domestic demand and the ban imposed to beef from the U.S. and Canada, as a consequence of Bovine Spongiform Encephalopathy (BSE).

Beef exports for 2004 are estimated at 360,000 MT, up 40,000 MT compared to 2003. The main reason for this increase was the reopening of the U.S. market for Uruguayan fresh boneless beef in June 2003. Although after the occurrence of the first BSE case in Canada, beef exports to that country fell dramatically, the almost simultaneous opening of the U.S. market created unprecedented conditions for Uruguayan beef (see chart below). Beef cuts exported were primarily frozen boneless hind and forequarters, and trimmings. In 2003, Uruguay not only exceeded its 20,000 MT U.S. beef quota, but also exported other additional 80,000 MT (CWE) outside the quota. As in the past few years, Uruguay filled completely its 6,300 MT participation in the Hilton beef quota. In 2004-2005, Uruguay is expected to continue exporting outside both quotas. The following table illustrates Uruguayan main beef export markets:

(MT-CWE)

Country	Jan-May 2004	Country	Jan-May 2003
U.S.	92175	Canada	47020
Canada	19105	Israel	16796
Israel	10009	United Kingdom	10880
United Kingdom	9405	Algeria	10310
Chile	4981	Chile	8276
Brazil	3544	U.S.	6095

Cattle exports are expected to increase in 2005 as markets continue reopening. To date, Jordan, Tunisia, Arabia, Ecuador, Peru, Venezuela, Brazil, and Argentina (the latter with certain restrictions) have reopened their markets to Uruguayan cattle. In 2003, Jordan was the main export destination (approximately 12,000 head), followed by Ecuador and Argentina.

Uruguay is a traditional beef exporting country. Thus, no significant beef imports are expected to happen either in 2004 or 2005. During 2003, due to more competitive prices, Uruguay imported around \$33,000 worth of chilled boneless beef from Argentina, \$37,000 of

thermo-processed beef also from Argentina, and \$24,000 of thermo-processed beef from Brazil.

Uruguay applies a 5.5 percent export rebate for boneless beef, 2.25 percent for bone-in beef, and between 4.5 and 6 percent for thermo-processed beef. As a Mercosur member, Uruguay applies the Common External Mercosur Tariff, which ranges from 3 to 23 percent. In general terms, intra-Mercosur trade pays no tariff.

Note: Average conversion ratios used by USDA/FAS differ from INAC's. As a result, application of these different ratios increases domestic consumption data. INAC's conversion ratios are: 2.4 for thermo-processed beef; 1.02 for frozen/chilled bone-in beef; and 1.6 for frozen/chilled boneless beef.

Stocks

Cattle stocks in 2005 are expected to return gradually to historical levels seen prior to the FMD outbreak, and remain stable between 12-13 million head, as calf crop will be nearly equal to slaughter plus losses. Calf crop in 2005 will not increase as expected due to low pregnancy rates in 2004 as a consequence of poor weather conditions. Calf crop will decrease in 2004 due to a harsh winter in 2003 plus poor investment in pastures the previous year, due to the economic crisis of June 2002. In addition, pregnancy rates were very good in 2002-2003, which affected current cattle conditions. Given the current favorable conditions for the livestock sector, producers have been investing in pastures and improved herd management techniques. Slaughter is expected to continue growing following a strong beef export demand, especially from the NAFTA countries, while international markets continue reopening to Uruguayan beef.

Cattle prices have reached and, slightly exceeded, the values previous to the FMD crisis, which ranged for live steer from \$0.80 to 0.90/kg, and reached \$0.95-1.00/kg in some operations, due to the recovery of most export markets. Prices are expected to decrease slightly in 2005, once Argentina and Brazil improve their sanitary status, and remain stable at average historical levels of \$0.80/kg.

Production

Uruguayan beef production continues increasing and is estimated at 530,000 MT for 2005, 30,000 MT higher than 2004, due to larger slaughter as a consequence of a strong demand from export markets, which was fostered by the recent declaration of Uruguay as country provisionally free of BSE. With higher cattle prices in U.S. Dollar terms, compared to prices prior to the FMD crisis, and the reopening of markets for high-value beef cuts, Uruguayan producers continue recovering after the financial crisis of mid 2002.

Beef production in Uruguay has been traditionally aimed at supplying export markets, which account for approximately 70 percent of production. Feedlot production represents only 4-5 percent of total slaughter and is expected to increase slightly in 2005 due to lower grain prices. High-value beef cuts produced in feedlot operations are mainly exported since the domestic market cannot afford them.

Consumption

In 2005, beef domestic consumption is expected to remain stable at 200,000 MT, as the country recovers from recession and Uruguayans begin to gradually regain their purchasing power. Annual per capita beef consumption fell from 50 kg to approximately 45 kg., due to an increase of beef domestic prices. Beef is mainly consumed in urban areas and lamb is consumed in rural areas.

All beef cuts are popular in Uruguay. However, cheaper cuts have become more popular as beef prices have increased by approximately 60 percent in U.S. dollars as of mid 2002, primarily because consumer prices are pegged to cattle prices. As a result, annual per capita poultry consumption has increased from 10 kg to 14 kg. Estimated comparative prices are as follows: tenderloin, \$5-6/kg, and chicken, \$2/kg. In general, more affluent consumers buy beef cuts in supermarkets (25-30 percent market share), while consumers with a lower purchasing power buy in butcher shops (70-75 percent market share).

Policy/Marketing

The Government of Uruguay (GOU) has made great efforts towards to definitive eradication of Foot-and-Mouth Disease (FMD), whose last outbreak was detected in August 2001. Vaccination will continue in 2004, and will not stop until there is guarantee that the disease is under control throughout the region. A Permanent Veterinary Committee, composed of members from Argentina, Brazil, Bolivia, Chile, Paraguay, and Uruguay, was created last year as a tool to anticipate and overcome difficulties resulting from FMD occurrence.

During the past few years, the Uruguayan National Meat Institute (INAC) has played a key role in developing various projects which will help differentiate Uruguayan beef in international markets. INAC's Certified Natural Meat Program has been recently included in the "Approved USDA Process Verified Programs", published in the USDA website. They are currently expecting approval for their Certified Hereford Program, and are actively working on a third certified beef program featuring Angus beef. INAC also developed protocols for organic beef production and marketing. Two Uruguayan meat processing plants are currently approved to produce and export organic beef, primarily to Europe.

Useful Websites

<http://www.inac.gub.uy> (National Meat Institute)
<http://www.mgap.gub.uy> (Ministry of Livestock, Agriculture, and Fisheries)
<http://www.ine.gub.uy> (National Statistics Institute)
<http://www.aduanas.gub.uy> (Uruguayan Customs)

Newspapers containing agricultural supplements:

<http://www.diarioelpais.com.uy> (El País)
<http://www.observa.com.uy> (El Observador)

SECTION II. STATISTICAL TABLES

PSD Table

Country	Uruguay						
Commodity	Meat, Beef and Veal						
	(1000 MT CWE)			(1000 HEAD)			
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [New]	
Market Year Begin	01/2003			01/2004		01/2005	MM/YYYY
Slaughter (Reference)	2000	1900	2080	2100	0	2200	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT CWE)
Production	484	450	500	500	0	530	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	0	70	0	70	0	70	(1000 MT CWE)
TOTAL Imports	0	70	0	70	0	70	(1000 MT CWE)
TOTAL SUPPLY	484	520	500	570	0	600	(1000 MT CWE)
Intra EC Exports	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	314	320	330	360	0	400	(1000 MT CWE)
TOTAL Exports	314	320	330	360	0	400	(1000 MT CWE)
Human Dom. Consumpti	170	200	170	210	0	200	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Dom. Consumpti	170	200	170	210	0	200	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	(1000 MT CWE)
TOTAL DISTRIBUTION	484	520	500	570	0	600	(1000 MT CWE)
Calendar Yr. Imp. from U	0	0	0	0	0	0	(1000 MT CWE)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT CWE)

PSD Table

Country	Uruguay						UOM
Commodity	Animal Numbers, Cattle						
	(1000 HEAD)						
	2003	Revised	2004	Estimate	2005	Forecast	
	USDA Official [	Estimate [DA	Official [	Estimate [DA	Official [	Estimate [New]
Market Year Begin	01/2003		01/2004		01/2005	MM/YYYY	
Total Cattle Beg. Stks	12257	12257	12465	12609	12709	12585 (1000 HEAD)	
Dairy Cows Beg. Stks	380	410	380	420	0	420 (1000 HEAD)	
Beef Cows Beg. Stocks	3950	3720	4100	3555	0	3480 (1000 HEAD)	
Production (Calf Crop)	2450	2550	2570	2400	0	2500 (1000 HEAD)	
Intra EC Imports	0	0	0	0	0	0 (1000 HEAD)	
Total Imports	0	0	0	0	0	0 (1000 HEAD)	
TOTAL Imports	0	0	0	0	0	0 (1000 HEAD)	
TOTAL SUPPLY	14707	14807	15035	15009	12709	15085 (1000 HEAD)	
Intra EC Exports	0	0	0	0	0	0 (1000 HEAD)	
Total Exports	12	18	6	24	0	30 (1000 HEAD)	
TOTAL Exports	12	18	6	24	0	30 (1000 HEAD)	
Cow Slaughter	832	780	860	880	0	924 (1000 HEAD)	
Calf Slaughter	39	40	40	45	0	45 (1000 HEAD)	
Other Slaughter	1129	1080	1180	1175	0	1231 (1000 HEAD)	
Total Slaughter	2000	1900	2080	2100	0	2200 (1000 HEAD)	
Loss	230	280	240	300	0	300 (1000 HEAD)	
Ending Inventories	12465	12609	12709	12585	0	12555 (1000 HEAD)	
TOTAL DISTRIBUTION	14707	14807	15035	15009	0	15085 (1000 HEAD)	
Calendar Yr. Imp. from U	0	0	0	0	0	0 (1000 HEAD)	
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0 (1000 HEAD)	

Prices Table

Country Uruguay

Commodity Meat, Beef and Veal

Prices in **US\$** per uom **KG**

Year	2003	2004	% Change
Jan	1.09	1.52	39%
Feb	1.09	1.52	39%
Mar	1.13	1.52	35%
Apr	1.08	1.52	41%
May	1.07	1.56	46%
Jun	1.14	1.59	39%
Jul	1.25	1.66	33%
Aug	1.47		-100%
Sep	1.59		-100%
Oct	1.7		-100%
Nov	1.58		-100%
Dec	1.56		-100%

Exchange Rate **28.55** Local Currency/US \$

Date of Quote **8/10/2004** MM/DD/YYYY

Prices Table

Country Uruguay

Commodity Animal Numbers, Cattle

Prices in **US\$** per uom **KG**

Year	2003	2004	% Change
Jan	0.58	0.8	38%
Feb	0.58	0.8	38%
Mar	0.6	0.8	33%
Apr	0.57	0.79	39%
May	0.56	0.82	46%
Jun	0.61	0.84	38%
Jul	0.68	0.91	34%
Aug	0.8		-100%
Sep	0.87		-100%
Oct	0.92		-100%
Nov	0.85		-100%
Dec	0.83		-100%

Exchange Rate **28.55** Local Currency/US \$

Date of Quote **8/10/2004** MM/DD/YYYY

Uruguay
BEEF IMPORTS
(metric tons)

Fresh/Chilled									Jan-July	
Origin	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Argentina	0	63	0	0	0	0	0	1190	22	0
Brazil	0	0	0	0	0	84	0	0	0	0
Chile	0	0	0	0	10	0	0	0	0	0
EU 15	1	0	0	1	0	0	0	0	0	0
Panama	0	0	0	26	0	0	0	0	0	0
United States	0	0	0	2	114	22	0	0	0	0
Total	1	63	0	29	124	106	0	1190	22	0
US market share	0%	0%	0%	7%	92%	21%	0%	0%	0%	0%

Frozen									Jan-July	
Origin	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Argentina							0	826	0	0
Australia	0	0	0	379	0	0	0	0	0	0
Brazil	0	0	0	0	20	0	0	0	0	0
Canada	0	0	67	0	0	0	0	0	0	0
EU 15	2	2	0	3	0	49	0	0	0	0
New Zealand	0	0	0	16	0	0	0	0	0	0
Paraguay	52	0	0	0	12	0	0	0	0	0
United States	0	145	270	23	52	129	0	0	0	0
Total	54	147	337	421	84	178	0	826	0	0
US market share	0%	99%	80%	5%	62%	72%	0%	0%	0%	0%

Processed									Jan-July	
Origin	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Argentina	6	73	9	10	4	5	4	20	31	0
Brazil	74	72	31	35	60	53	94	55	15	19
EU 15	0	1	0	0	32	0	0	0	0	0
Paraguay	109	0	0	0	0	0	0	0	0	0
United States	0	0	0	36	23	14	0	0	0	0
Total	189	146	40	81	119	72	98	75	46	19
US market share	0%	0%	0%	44%	19%	19%	0%	0	0	0
Grand Total	244	356	377	531	327	356	98	2091	68	19
Total US market share	0%	41%	72%	11%	58%	46%	0%	0%	0%	0%

Sources: U.N. Trade for 1995-2000 and trade data of major trade partners 1995-2001.
Post's source for import statistics for 2001-2004 was Uruguayan Customs.

Uruguay
BEEF EXPORTS
(metric tons)

Destination	Fresh/Chilled								Jan/July
	1996	1997	1998	1999	2000	2001	2002	2003	2004
Algeria							0	0	0
Argentina	5,753	6,583	20,459	8,997	8,044	7,197	4225	8,025	1,828
Brazil	31,252	52,770	37,944	14,386	19,738	10,050	4724	3,956	2,696
Canada	0	22	0	111	89	75	47	3,393	2,180
Canary Island						188	656	610	337
Chile	1,189	3,419	6,750	4,907	4,372	1,248	11915	11,007	3,892
China						11	22	0	0
Czech Republic						0	3	25	12
Egypt							0	0	0
European Union	6,480	6,827	6,982	7,805	6,719	5,380	8695	7,309	5,371
Faroe Islands	0	0	0	3		0	0	0	0
Guatemala	0	0	0	0	39	0	0	0	0
Hong Kong	0	0	0	0	13	0	0	0	0
Israel						242	0	13	0
Japan	0	0	0	1	1	0	0	0	0
Jordan						0	0	21	0
Kuwait						0	11	0	0
Lebanon						0	22	0	0
Mexico	0	0	41	942	4,071	19	0	0	0
Netherlands Antilles	NA	NA	355			0	114	69	0
Panama	0	0	0	487	0	0	0	0	0
Paraguay	4	215	0	0	98	0	0	0	0
Qatar						0	31	0	0
Russia						0	0	0	0
Saudi Arabia	286	NA	99	125	118	0	10	0	0
Switzerland	30	116	166	187	166	20	12	12	0
Trinidad and Tobago						0	0	0	35
Turkey	0	0	0	0	0	0	0	0	0
United Arab Emirates						1	10	0	0
United States	2,734	2,901	4,468	5,119	4,322	1,602	0	8,257	9,450
Total	47,728	72,853	77,264	43,070	47,790	26,033	30497	42697	25801

Destination	Frozen								Jan/July
	1996	1997	1998	1999	2000	2001	2002	2003	2004
Albania	0	26	0	0	0	78	49	0	0
Algeria	0	0	228	1,089	1,454	492	23680	16,198	1,308
Angola					15	45	0	86	0
Argentina	907	1,673	5,358	734	1,167	612	399	129	27
Bahamas						74	0	0	0
Bahrain	NA	NA	NA	NA	25	0	75	0	0
Barbados							0	0	64
Brazil	8,713	6,472	3,921	3,164	2,675	2,116	11745	2,831	810
Bulgaria	0	426	878	100	0	127	642	510	27
Cameroon	0	0	0	1		0	0	0	0
Canada	138	8,303	1,044	14,887	24,527	23,263	1884	35,151	10,973
Canary Island						2,069	4006	1722	723
Chile	2,134	4,497	6,291	1,580	1,029	947	0	29	22
China						1,112	2313	399	75
Congo						3	13	27	0
Croatia	15	0	0	0	25	0	0	0	0
Cuba						228	0	0	1492
Cyprus	1	0	0	11	19	0	0	0	0
Czech Republic	0	0	0	1	0	0	0	0	0
Ecuador	0	0	17	0	0	0	0	0	0

Egypt	633	0	859	0		356	8475	221	0
European Union	14,411	22,534	19,674	11,991	9,911	10,875	18998	6,888	4,175
French Guiana	NA	NA	NA	NA	NA	0	0	0	0
French Polynesia	14	0	0	6	12	0	0	0	66
Gabon	3	NA	NA	NA	NA	0	0	0	0
Greenland	0	0	0	9	15	0	0	0	0
Grenada	0	0	0	16	32	0	0	0	0
Guadeloupe	NA	NA	NA	NA	NA	0	0	0	0
Guatemala	0	0	0	86	382	0	0	0	0
Hong Kong	1,346	1,187	748	933	737	0	0	0	0
Hungary	0	0	0	0	0	17	733	354	27
Israel	23,589	29,621	21,758	25,137	28,088	20,020	25738	19,209	7,812
Jamaica	0	7	1	0	0	0	0	0	0
Japan	0	0	234	1,420	5,652	0	0	0	0
Jordan	NA	91	0	0	0	130	530	1,147	64
Kazakhstan	NA	NA	0	NA	4	0	0	0	0
Korea, Republic of	0	0	0	0	6,861	0	0	0	0
Kuwait							75	27	0
Latvia						250	0	0	0
Macau	0	60	0	15	15	0	0	0	0
Macedonia	0	0	50	0		0	0	50	193
Madeira Island								0	0
Malaysia	0	0	0	14	14	3	464	482	27
Martinique	NA	NA	NA	NA	NA	NA	9	0	0
Mayotte							23	0	0
Mexico	0	0	153	5,127	13,765	422	0	0	0
Morocco	0	0	0	14	15	0	0	0	0
Netherlands Antilles							47	0	0
Norway	0	0	0	8	3	0	0	0	50
Oman							12	0	0
Palestinian Neutral Zone					24	18	240	233	0
Paraguay	0	36	0	0	91	0	0	0	0
Peru	81	391	308	55	26	81	490	218	2
Poland	582	883	0	0	0	0	22	0	0
Qatar							37	0	0
Russia	0	0	1,190	219	1,246	0	11685	6,872	397
Saudi Arabia	502	NA	424	783	729	270	3312	1,067	50
Senegal	0	0	1	0	38	148	200	126	26
Sierra Leone							25	26	0
Singapore	776	852	104	0	303	242	0	0	0
Slovenia	0	0	0	0	0	0	0	0	0
South Africa	30	548	516	1,327	2,389	904	0	1,105	1,312
Switzerland	504	464	297	95	132	15	68	0	0
Trinidad & Tobago	0	0	28	0	1,228	0	0	486	1,475
United Arab Emirates						40	181	26	26
United States	17,548	16,852	8,964	15,808	14,013	7,552	0	45,974	77,765
Venezuela	42	229	891	1,560	2,127	1,180	2152	211	96
Total	71,969	95,152	73,937	86,190	118,788	73,689	118322	141804	109084

Destination	Processed								Jan/July
	1996	1997	1998	1999	2000	2001	2002	2003	2004
Argentina	0	0	382	1,448	1,922	0	0	0	0
Bahamas							0	37	36
Barbados	NA	130	105	0	0	0	0	0	54
Brazil	19	698	1,347	563	160	151	12	3	0
Canada	0	0	0	0	0	0	157	0	66
Chile	0	0	0	0	17	0	0	0	0
Cuba							0	62	0
Cyprus	0	0	5	0	0	0	0	0	0
European Union	3,991	5,452	4,684	6,165	4,440	4,078	4013	3,976	2,835